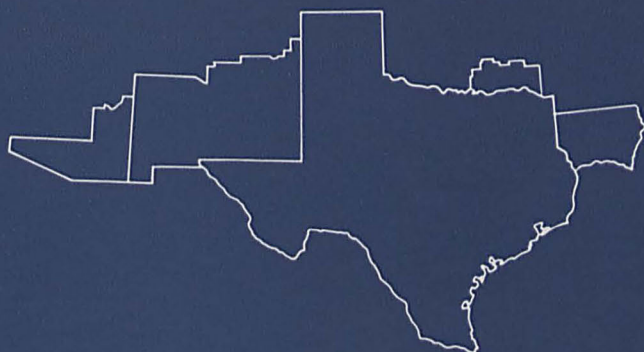


business review



march 1970

**FEDERAL RESERVE
BANK OF DALLAS**

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CURRENT BANKING DEVELOPMENTS

An Address by

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President

Federal Reserve Bank of Dallas

to the

Houston Chapter

American Institute of Banking

February 19, 1970

THIS evening I would like to review with you some of the trauma of 1969 and some possible lessons to be learned from the financial developments, monetary policy actions, and banking responses of the past year. More specifically, my speech will take a retrospective look at banking conditions, credit policies, bank adjustments and policy problems developing from these, and the general environment of the past 12 months. I believe we can quickly summarize the year's economic and financial developments since all of you are familiar with them.

We entered 1969 on a note of urgency to begin restraining an inflation which had accelerated nearly beyond control. After seven years of growth cumulating in an overextension of our resources, we had developed an inflationary en-

vironment where expectations were feeding an acceleration of wage and price increases. After a slow start, stabilization measures began to take effect in midsummer. The massive shift in budget position contributed to some slowing of consumer demand but the burden of stabilization fell upon monetary policies, and, after midyear, monetary restraint intensified.

The principal impact of monetary restraint through the early months of 1969 was a lessening of liquidity and a sharp runoff of large-denomination certificates of deposit. Credit demands were strong, especially for business, security, and real estate loans. In addition, the introduction of credit cards spurred consumer credit totals, and seasonal agricultural credit needs were large. Thus, interest costs rose, with the prime rate moving to 8½ percent. Meantime, Regulation Q ceiling rates were held constant, forcing a growing disintermediation of deposits. We must admit, however, that while the cost of doing banking business advanced, there was an even larger return as funds were recaptured from lower-yielding investments and placed into loans at higher rates. I have not seen an average of the increased profits of banks, but I have seen many reports of 15- to 25-percent gains and a few at nearly 100 percent.

In the second half of 1969, with monetary policy pressing even more strongly on the available supply of credit, bank liquidity moved toward irreducible minimums and credit rationing intensified. As competition for available funds increased, interest rates rose further and disintermediation accelerated. Bank loan demand from businesses remained strong, especially near tax and dividend dates, but security and real

estate demands slackened — at least, the accommodation of these loan requests slowed sharply as the year progressed.

Throughout the year, prices continued upward at a modestly decelerating pace, but wage settlements appeared to grow as labor sought compensation for past inflation and protection against future inflation. Expectations of continuous and accelerating inflation were dampened somewhat, but business attitudes appeared to harden that only a small interruption in the inflationary environment was in prospect.

The primary impact of credit restraint and rising interest costs appeared to fall on the housing industry, state and local governments, and small and new businesses. However, the transmission of this restraint went primarily through the member banks of the Federal Reserve System. Banking became a substantially more difficult business for many commercial banks, especially the money market banks and those relying upon large negotiable certificates of deposit for lendable funds. There were many others, though, that found 1969 a distinctly pleasurable experience as the cost of funds was restrained while the rate charged on loans advanced sharply. A few banks found an investment outlet in the Federal funds market at very attractive rates and appeared to minimize their responsibilities for servicing community credit needs. Still others were tight in the periods of seasonal demand but able to invest heavily in the Federal funds market at other times.

Thus, the impact of monetary restraint was far from uniform for all banks. Even the agricultural banks found the usual participation outlets drying up, and many saw customers move to other financial institutions. The incidence of credit needs for the newly expanding cattle feeding industry was, unfortunately, timed with this period of heavy monetary restraint, and banks could not participate as much as they would have done under more normal conditions. This was just one of probably many spe-

cial credit situations facing our banks during 1969. Others I have heard about include special oil equipment financing, foreign loans, automobile dealer floor plan loans, and, of course, a large number of special municipal credit needs.

Bank responses to the disintermediation of deposits, the restraint on new reserves, and the heavy loan demand varied by bank and bank management. Initial reactions were almost uniform in the liquidation of short-dated or maturing securities and the reduction of commitments to purchase new securities. However, some banks found themselves with heavy portfolios of long-dated and deep-discount Government and municipal securities. For these banks, adjustments became more difficult.

A second response of many banks was to enlarge their purchases of Federal funds and/or increase borrowings from the Federal Reserve or correspondent banks. In the first week of 1969, there were 267 member banks of the Eleventh Federal Reserve District participating in the Federal funds market, with daily average purchases of \$583 million and daily average sales of \$459 million for a net of about \$125 million of purchases. Of these banks, there were four which showed daily average net purchases in excess of their respective reserve requirements prescribed by law.

In contrast, the first week of 1970 showed 368 banks active in the Federal funds market, with \$1,155 million of daily average purchases and \$641 million of daily average sales for a net purchase level of about \$500 million per day. There were 14 banks whose purchases each day exceeded their reserve requirements, and several of these banks were purchasing a daily average of twice their reserve requirements. On the other hand, there were 107 banks which made net daily average sales exceeding their reserve requirements. For the District as a whole, there has been an apparent import of Federal funds amounting to about \$500 million per day. It is evident that some of our District

banks have turned to the Federal funds market for continuous purchases to sustain an overloaned position.

It is interesting to note that in the first week of 1970, a selected large-bank sample of 19 reporting banks accounted for \$782 million of purchases, or 68 percent of the total, but only \$305 million, or 47 percent, of total sales. Thus, of the District net purchases of \$500 million per day, these 19 banks accounted for 95 percent. A further refinement shows that eight of the largest District banks more than accounted for the net purchases of the District.

Borrowings from the Federal Reserve Bank of Dallas also rose sharply during 1969. Loans were made to 112 banks this past year, 56 percent more than in 1968, and daily average borrowings rose 134 percent to \$52,863,000. Even these facts scarcely tell the story of the heavy borrowings by banks which were overextended in loans and short on liquidity. Borrowings from the Reserve Bank were not, and are not designed to be, the primary source of borrowed funds. Even if 1969 had not been a year of monetary policy restraint, borrowings would have been curtailed by the very nature of the lending procedure and objectives.

If Federal Reserve credit through the discount window were available in unlimited amounts or for indefinite periods of time, the banks would use this source of funds as a substitute for new capital. More importantly, the volume of Reserve Bank credit outstanding would be sharply increased and would require massive offsetting open market sales to keep monetary policy objectives in sight.

The fundamental difference between Reserve Bank credit and other sources of funds is the fact that when a Reserve Bank loan is made, it creates new reserves in the banking system while purchases of Federal funds or loans from other commercial banks merely utilize reserves already in existence. New Reserve Bank credit

under our fractional reserve requirement rules will support a multiple expansion of commercial bank loans or investments, but other types of credit cannot support such a multiple expansion.

All commercial banks are not the same as to their management, composition of assets and liabilities, or the local environment in which they do business. Given these differences, the Reserve Bank seeks to treat all banks in like circumstances as nearly the same as is possible within the context of overall System guidelines in the issuance of Reserve Bank loans. Reserve Bank loans are not made merely to reduce the cost of the adjustment process but, instead, are made to permit an orderly adjustment. Thus, we do not expect banks to seek loans from us just to avoid the higher cost of purchasing Federal funds when the banks really intend to make no fundamental adjustment in their balance of assets and liabilities. We know some loan requests are precisely for the purpose of avoiding the high cost of these other adjustment procedures, but repetitive or continuous use of the discount window for this purpose will result in quicker administrative contacts.

Since the Federal funds market has limits and Reserve Bank borrowings are largely for short-run adjustments and seasonal problems, the District banks, along with others in the nation, have turned to off-balance-sheet or non-deposit sources of funds. Loans or participations were sold to affiliates, and commercial paper was issued by banks' affiliates or customers guaranteed by the banks' irrevocable letters of credit. After midyear, Eurodollar drawings were an important source of funds as a few large District banks opened foreign branches or established contacts with foreign banks. These off-balance-sheet and nondeposit sources of funds rose from about \$250 million in June 1969 to more than \$950 million in early 1970.

In addition to the foregoing, a few banks sought to relieve their tight positions by a runoff

of reserves and thus encountered severe reserve deficiencies. Slightly more than 100 District member banks showed five or more reserve deficiencies, while 35 percent of all the banks had no deficiencies during 1969. Only a very few banks made a conscious decision to violate the reserve requirement regulations, and these were contacted frequently. A number of District member banks had difficulty in maintaining reserves, not only because of the tight credit situation but also because of the shift to one-week reserve periods for all banks and the impact of the automatic charge to reserve accounts for cash letters and TT&L withdrawals.

Finally, a few banks sought to take advantage of the direct sending privilege, and such sendings rose sharply. With heavy personnel turnover and markedly rising check volumes, the quality of check processing deteriorated and errors increased. Much of this was inadvertent, as were many of the reserve deficiencies.

Of course, to many banks, the primary answer to monetary restraint was tighter screening of loan requests and increased turndowns. Some borrowers withdrew from the market because of higher rates of interest, but many more who were willing to pay the going rate were denied bank loans because of lack of availability of lendable funds.

The problems of containing the inflationary pressures have not passed, and some of the banking responses of 1969 may be sharply altered in 1970. Yet there are certain developments, trends, and policies which we can tentatively appraise in order to sort out those of lasting significance.

From a monetary policy-making standpoint, I think it is fairly safe to conclude that the efficiency and equity of policy steps are under considerable question. Both inside and outside the Federal Reserve System, there are complaints of too concentrated an impact on housing, too much of a burden on banks, and too

little restraint on all other segments of the economy. Similarly, there is considerable dissatisfaction with the use of Regulation Q as a monetary policy tool.

If monetary policy is to bear the main burden of economic stabilization, then we should develop ways of more equitably distributing its impact and devise methods to limit credit extension without massive disintermediation of deposits or crippling illiquidity. It seems clear that restraints imposed through monetary policy are strong enough to slow the economy, but the price in lost housing, unemployment, illiquid banks, and record interest rates is, indeed, costly. If desired results can be obtained by broadening the base of action and spreading the impact, steps should be taken in this direction. Such steps could include uniform reserve requirements for all banks, credit limits on other financial institutions, a sharing of impact throughout the economy, and, perhaps, even some credit direction in periods of intense pressure.

Another element of policy encountering stiff resistance is the regulatory plugging of loopholes such as the reserve requirement on Eurodollars, the proposed application of reserve requirements to commercial paper issued by bank affiliates, the application of Regulation Q ceilings to commercial paper issued by bank subsidiaries, and the multiple amendments to Regulation Q defining and redefining deposits. I am convinced that commercial bankers can innovate faster than we can regulate. But the root cause is a failure to permit free competition for deposits.

There are some lessons in commercial banking which may be worth careful study. Some banks clearly schedule deficit operations and rely upon borrowings to sustain their position. As long as Federal funds are available or other sources can be tapped, the deficit banker can probably "ride out the storm." But any failure to find adequate funds immediately places the

banker in an almost insolvent position. Some bankers take the monetary policy actions of restraint almost as a personal affront or a game to be played, with innovation and regulation the primary tools of combat. They wash their hands of any public responsibility and deliberately seek ways to accommodate all borrowers, whether their customers or those of a more conservative bank. The banking industry needs to police these overaggressive elements, or monetary policy may have to shift from aggregate limitations to mandatory and specific curbs.

A number of banks have entered or indirectly supported the commercial paper market, which some bankers see as a threat to the traditional banking business. Thus, these bankers have been particularly unhappy at the thought that reserve requirements or ceiling rate limits might be imposed on bank issuance of commercial paper. Perhaps the commercial paper market will assume a larger role in financing, but one is always tempted to declare today's conditions as tomorrow's requirements. If rate structures can be modified, there is little reason to believe that borrowers will pay higher rates just for the privilege of obtaining funds through commercial paper. On the other hand, that market is particularly efficient in meeting certain borrowers' and investors' requirements, and I would hope that banks could continue to participate in the commercial paper market in periods of lessened inflationary pressures.

Of greater concern for normal banking relationships has been the customer loss to other financial lenders. The Government-sponsored farm credit agencies, with an ability to raise capital funds, have taken away a significant share of bank agricultural lending. Similarly, direct corporate financing and some brokered individual investor financings have established at least short-run patterns of borrowing which may be slow to reverse. Those screened out of borrowing by tight credit standards may have long memories, especially if they feel there were unfair or inequitable limits imposed.

One apparent characteristic of monetary restraint is the very uneven impact between banks in states where unit banking exists and where correspondent relations are relied upon to equalize the loan and deposit picture. The transmission of monetary restraint through correspondent relations appears to be an uncertain and irregular process, dependent in part upon the condition of the upstream, or city, correspondent. Some of our large banks were very tight most of 1969, while others became tight only late in the year. As indicated by the pattern of purchases and sales of Federal funds, many small banks hardly felt the tight credit situation and Federal funds became a lucrative outlet for the small banks' surplus funds.

Perhaps one of the problems of the 1969 environment which may carry over into future years is the commercial banks' relations with the Federal Reserve. There is little doubt that a member bank which overstays its borrowing from the Reserve Bank will feel resentment when told to terminate its borrowing. Human nature alone breeds such a reaction, but, in addition, there is a general lack of understanding of the role of Reserve Bank loans and why they must be limited in amount and duration. Inevitably, there are other strains between member and central banks, including regulatory requirements for reserves, ceiling rates on deposits, and limitations on market competition for funds by banks.

All of these restrictions, relatively unimportant in times of monetary ease, become major points of aggravation in periods of restraint just when the member banker feels abused by the need to ration credit and by a declining liquidity. It seems as if the central bank has no sympathy or concern for the member bank's problems, but I assure you that such a position is not correct. We are concerned with banking problems and seek to guide and counsel with banks to alleviate or minimize the disruptions. Yet we in the Federal Reserve have a job to do, one which I believe most bankers, upon careful re-

flection, would support. There are times when I wish they would provide a little more active support, both vocally and in bank policy.

Still another problem with far-reaching significance to the commercial banks is the practice of granting lines of commitment to large out-of-state corporations. We have seen bank after bank get in trouble by the drawings on these commitments at the very time the bank is short of lendable funds and rationing credit to local customers. It is not conducive to good community relations to have banks accommodating the large national corporations but denying credit locally. I suggest that the practice of granting lines of commitment to out-of-state and even out-of-country customers should be reviewed to see if the balances carried are worth the pressure for loan accommodation in periods of stress.

Finally, I think the commercial banking industry needs to rethink its use of a prime rate. Certainly, over the past year, the movement of the prime rate has been a primary source of political animosity and may also have been a ticklish problem in dealing with non-prime-loan customers. There are good arguments for having a uniform rate for national customers in a fluid and almost national credit market. On the other hand, such a rate pays little attention to the specific condition of a bank or to the relative rates charged other customers in the local community. Perhaps it is time to reset rates on a local basis, with a marginal prime rate for the locally unused balance of lendable funds. Banking can ill afford either the local or the national public relations problems which a prime rate move engenders.

My catalog of lessons from 1969 is barely scratched, but if I have stimulated your thinking on these problems, I will count this review a success. Rather than continue with a historical perspective, let me use my few remaining minutes to comment on the current situation. I believe we are nearing the point at which visi-

bility of trends clarifies and decisions can be made for the future. The money and capital markets appear to be establishing a trading range which is easing away from the former peaks. And yet, the problems of bank deposit disintermediation are intensifying as more and more small- to medium-size savers seek the higher rates of the marketplace. Some time will be required to reverse this trend, and a declining money market rate will be essential. Thus, banks may face even tighter conditions in the near future before the dawn of relief.

Despite this pessimistic short-range forecast, I think we are making progress in slowing the economy and expect that this slowing will eventually reduce credit demands. We hear a lot of talk about looking over the valley to the almost assured growth of tomorrow. The debate now centers upon the depth and breadth of the valley. I suggest that we might more usefully appraise the time needed to adjust our economy's imbalances, correct its distortions, and lay the foundation for the bright world of tomorrow. If that world is to be the brightest for all, it should be one based upon a non-inflationary growth pattern, and I believe the time to balance our economy for this type of growth may be longer than many observers appear to be contemplating. A shortening of the valley in either depth or breadth could mean a premature resurgence of economic activity based upon inflationary expectations.

In my opinion, the ultimate aim of noninflationary growth is worth waiting for, even if the valley is extended or deepened to the limits of political acceptability. A premature and material easing of restraints could terminate the corrective process and reinforce the still-virulent inflationary expectations. Such a development would only mean a renewed period of restraint, perhaps of greater intensity, and might require more drastic steps than in the present period. I hope that our stabilization efforts and the costs they have entailed thus far will not prove to have been in vain.

District highlights

Nonagricultural wage and salary employment in the five southwestern states declined slightly less than seasonally expected in January. The decline placed total employment at 6,293,100, or 1.7 percent less than in December. All categories of employment slipped except finance, which increased fractionally. The greatest slip-page was in nonmanufacturing groups. Manufacturing employment dropped 0.7 percent, compared with an expected seasonal decline of 1.1 percent. Trade payrolls fell 5.2 percent, reflecting a reversal of the buildup for holiday selling in December. There were also significant declines in construction and services. Employment in government, transportation and public utilities, and mining all declined marginally.

Employment in these states totaled 4.4 percent higher than a year earlier. It was 5.5 percent higher in manufacturing and 4.1 percent higher in nonmanufacturing. Of nonmanufacturing groups, transportation and public utilities showed the greatest increase (9.2 percent), followed by finance (6.6 percent). Construction, trade, and services increased 4 percent or more. Mining showed almost no change from a year earlier, and government employment showed a 1.9-percent increase.

Daily average crude oil production in the four producing states of the Eleventh District rose only slightly in January, to 6,716,400 barrels from 6,669,400 barrels in December. The daily average was nevertheless 8.7 percent higher than in January 1969. Texas accounted for all the month-to-month increase. Production in Louisiana and Oklahoma declined, and output in New Mexico was about the same as in December. The high production levels of recent months have been in response to the need to replenish stocks depleted through the winter,

which was colder than usual. Stocks of crude oil east of the Rockies totaled 221.3 million barrels on February 6, or 9.9 million barrels less than a year earlier.

Allowables in the District continue at high levels through March. The maximum efficient rate of production for Texas was set at 68 percent, unchanged from the previous two months, and the production allowable in Oklahoma continues at 100 percent. Daily production at wells in southeastern New Mexico was raised to 75 barrels, three more than in February. The allowable in Louisiana was raised from 47 percent of maximum efficient production in February to 48 percent in March.

The growing importance of livestock in the agriculture economy of District states was apparent in the distribution of last year's cash receipts. While cash receipts of farmers and ranchers in these five southwestern states totaled 5 percent higher than in 1968, the share contributed by livestock sales was 9 percent higher. This has been the direction of shift in the distribution of receipts for several years. Where livestock sales accounted for 44.5 percent of the total receipts in 1960, they accounted for 58.7 percent in 1969.

Rising prices of livestock products are responsible for much of the increase in cash receipts. In Texas, for example, prices of livestock and livestock products averaged 16 percent higher in mid-January 1970 than at the same time in 1969. By contrast, crop prices averaged only 4 percent higher.

Prices Texas farmers and ranchers received for all their products on January 15 averaged 1 percent higher than a month before and 11 percent higher than a year before. The index

of crop prices showed a 1-percent drop from mid-December, but the price index for livestock and livestock products was 1 percent higher. Prices of all meat animals except sheep averaged higher in January than in December or January 1969.

Livestock inventories in states of the District changed little between January 1, 1969, and January 1, 1970. The number of beef cattle in these states increased 5 percent. The number of dairy cattle was about the same, however, and the number of sheep dropped 3 percent and the number of hogs 4 percent.

Livestock sales will probably continue to contribute a larger share of income than crop receipts for several years. But although the number of cattle on feed is substantially higher than a year ago, the number seems to be stabilizing, possibly because of the limited number of feeder calves available.

Registrations of new passenger automobiles in the four largest metropolitan centers of Texas (Dallas, Fort Worth, Houston, and San Antonio) were 28 percent lower in January than in December. Registrations usually drop in January, but the decline this year was much more than normal. Compared with January 1969, new car registrations were down 16 percent.

Department store sales in the Eleventh District during the four weeks ended February 21 were 1 percent higher than in the corresponding period last year. Cumulative sales for 1970 were 2 percent higher than for the comparable period in 1969.

The seasonally adjusted Texas industrial production index rose in January to 182.9 percent of the 1957-59 base. The most significant rise was in manufacturing, which advanced more than 1 percent. All other categories except mining showed some increase. Mining was unchanged. Production of nondurables accounted

for all the increase in manufacturing. Production of durable goods was essentially unchanged. Of all manufacturing industries, petroleum refining posted the largest rise. Compared with a year earlier, total production was up substantially. All major categories advanced.

All major balance sheet items except total investments declined at weekly reporting banks in the Eleventh District in the four weeks ended February 11. Loans adjusted declined \$177 million, compared with a \$5 million decline in the corresponding period a year earlier. Contributing most to the decline were drops of \$57 million in business loans, \$31 million in real estate loans, and \$24 million in loans to financial institutions other than banks. Agricultural and consumer loans also declined.

Total investments advanced \$36 million, compared with advances of \$64 million in the previous reporting period and \$53 million in the corresponding period a year earlier. Holdings of Government securities increased \$30 million, with a \$40 million increase in holdings of Treasury bills more than offsetting a \$10 million decline in Government notes and bonds with maturities of less than one year.

Total demand deposits declined \$286 million, compared with a \$199 million decline a year earlier. Declines of \$308 million in deposits of individuals, partnerships, and corporations and \$70 million in interbank deposits more than offset increases in deposits of the Federal Government and states and their political subdivisions. Total demand deposits were down 4.0 percent from the level a year earlier.

Total time and savings deposits declined \$11 million, compared with a decline of \$13 million a year earlier. Deposits of individuals, partnerships, and corporations declined \$33 million, but those of states and their political subdivisions increased \$21 million. Large certificates of deposit declined \$17 million.

***new
par
bank***

The Great Southern Bank, Houston, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, February 2, 1970. The officers are: R. C. Sanders, President, and Ernest Bomar, Vice President and Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

March 1970



**FEDERAL RESERVE BANK
OF DALLAS**



CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 25, 1970	Jan. 28, 1970	Feb. 26, 1969 ¹
ASSETS			
Federal funds sold and securities purchased under agreements to resell.....	348,150	346,630	6,437,652
Other loans and discounts, gross.....	5,970,685	6,035,373	
Commercial and industrial loans.....	3,011,646	3,029,871	3,055,587
Agricultural loans, excluding CCC certificates of interest.....	106,535	109,915	103,939
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	500	555	1,001
Other securities.....	42,111	41,316	134,471
Other loans for purchasing or carrying:			
U.S. Government securities.....	944	861	368
Other securities.....	382,994	397,505	408,650
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	131,585	130,720	140,404
Other.....	310,390	339,766	370,014
Real estate loans.....	612,862	639,015	608,053
Loans to domestic commercial banks.....	16,099	11,163	300,665
Loans to foreign banks.....	10,021	11,179	6,512
Consumer instalment loans.....	727,163	727,827	642,338
Loans to foreign governments, official institutions, central banks, international institutions.....	750	750	0
Other loans.....	617,085	594,930	665,650
Total investments.....	2,500,217	2,611,202	2,674,735
Total U.S. Government securities.....	910,690	983,003	1,113,552
Treasury bills.....	43,915	105,762	109,716
Treasury certificates of indebtedness.....	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	153,830	165,670	129,204
1 year to 5 years.....	627,561	595,758	666,275
After 5 years.....	85,384	115,813	208,357
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills..	3,843	17,175	28,256
All other.....	1,468,099	1,489,596	1,301,441
Other bonds, corporate stocks, and securities:			
Certificates representing participations in:			
Federal agency loans.....	50,308	53,379	150,174
All other (including corporate stocks).....	67,277	68,049	81,312
Cash items in process of collection.....	936,850	1,086,636	1,001,624
Reserves with Federal Reserve Bank.....	612,406	771,332	716,519
Currency and coin.....	86,000	89,626	85,046
Balances with banks in the United States.....	428,708	449,930	465,880
Balances with banks in foreign countries.....	7,916	9,786	5,976
Other assets (including investments in subsidiaries not consolidated).....	495,002	504,992	363,249
TOTAL ASSETS.....	11,385,934	11,905,507	11,750,681

LIABILITIES

Total deposits.....	8,761,963	8,864,611	9,581,106
Total demand deposits.....	5,475,240	5,620,150	5,684,777
Individuals, partnerships, and corporations....	3,832,534	3,977,637	3,971,317
States and political subdivisions.....	302,366	282,017	317,684
U.S. Government.....	155,695	139,991	159,093
Banks in the United States.....	1,077,310	1,112,593	1,120,980
Foreign:			
Governments, official institutions, central banks, international institutions.....	3,650	2,933	2,396
Commercial banks.....	26,274	25,252	22,212
Certified and officers' checks, etc.....	77,411	79,727	91,095
Total time and savings deposits.....	3,286,723	3,244,461	3,896,329
Individuals, partnerships, and corporations:			
Savings deposits.....	915,978	921,265	1,009,109
Other time deposits.....	1,615,218	1,604,884	2,092,472
States and political subdivisions.....	724,005	688,831	750,530
U.S. Government (including postal savings)....	2,086	2,104	11,983
Banks in the United States.....	15,486	18,527	24,745
Foreign:			
Governments, official institutions, central banks, international institutions.....	12,600	7,500	7,000
Commercial banks.....	1,350	1,350	490
Federal funds purchased and securities sold under agreements to repurchase.....	756,807	1,248,762	850,624
Other liabilities for borrowed money.....	375,537	333,033	
Other liabilities.....	364,944	335,136	252,324
Reserves on loans.....	135,298	136,503	119,913
Reserves on securities.....	13,284	13,255	n.a.
Total capital accounts.....	978,101	974,207	946,714
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....	11,385,934	11,905,507	11,750,681

BANK DEBITS, END-OF-MONTH DEPOSITS AND DEPOSIT TURNOVER

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS ¹		DEMAND DEPOSITS ¹			
	January 1970 (Annual-rate basis)	Percent change from Dec. 1969 Jan. 1969	Annual rate of turnover			
			Jan. 31, 1970	Jan. 1970	Dec. 1969	Jan. 1969
ARIZONA						
Tucson.....	\$ 5,943,372	—1 21	\$ 224,518	25.9	26.0	23.9
LOUISIANA						
Monroe.....	2,584,092	—2 16	87,084	30.6	31.7	25.4
Shreveport.....	9,854,388	6 49	232,789	40.8	36.6	27.9
NEW MEXICO						
Roswell ²	952,896	1 23	35,999	24.7	24.1	22.3
TEXAS						
Abilene.....	2,051,952	4 7	95,958	21.3	20.6	18.6
Amarillo.....	6,081,564	3 21	159,153	37.8	36.2	33.5
Austin.....	8,503,224	3 8	270,612	31.4	29.9	27.3
Beaumont-Port Arthur-Orange.....	6,050,784	—7 1	239,292	25.2	27.0	25.3
Brownsville-Harlingen-San Benito.....	1,809,780	—4 10	70,461	25.5	26.3	23.7
Corpus Christi.....	5,128,980	—1 9	196,437	24.8	24.8	23.1
Corpus Christi.....	406,752	—1 —3	29,547	14.1	14.3	14.1
Dallas.....	113,923,524	—6 7	2,106,569	52.9	55.7	49.9
El Paso.....	6,958,116	—3 6	227,589	29.6	30.0	29.2
Fort Worth.....	20,590,428	—3 12	627,039	32.6	33.8	30.3
Galveston-Texas City..	2,959,428	13 14	111,176	26.7	24.5	23.8
Houston.....	93,982,680	—4 7	2,431,355	38.5	39.5	37.6
Laredo.....	837,204	—10 7	37,854	21.7	23.3	20.5
McAllen-Pharr.....	3,467,256	—16 —6	142,059	23.0	25.9	25.2
Edinburg.....	1,602,336	—8 1	97,634	16.5	18.4	17.5
Midland.....	1,886,484	—8 —3	131,497	14.3	15.5	15.0
Odessa.....	1,712,628	0 16	75,025	23.5	24.4	20.7
San Angelo.....	1,226,220	—3 13	67,104	17.5	17.7	16.7
San Antonio.....	17,176,332	3 14	591,784	27.8	27.3	24.9
Sherman-Denison.....	1,049,484	—4 6	54,237	18.3	17.9	16.3
Texarkana (Texas-Arkansas).....	1,351,272	—12 —14	69,396	19.2	21.8	23.2
Tyler.....	2,209,176	—1 7	88,449	23.9	23.3	21.8
Waco.....	2,916,456	2 12	114,064	24.8	24.2	22.6
Wichita Falls.....	2,295,060	0 —4	115,088	20.3	20.4	20.9
Total—28 centers.....	\$325,511,868	—4 9	\$8,729,769	36.7	37.7	34.6

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
² County basis.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 28, 1970	Dec. 31, 1969	Jan. 29, 1969
ASSETS			
Loans and discounts, gross ¹	11,498	11,942	10,808
U.S. Government obligations.....	2,151	2,179	2,539
Other securities.....	3,267	3,146	3,155
Reserves with Federal Reserve Bank.....	1,309	1,222	1,260
Cash in vault.....	269	268	266
Balances with banks in the United States....	1,203	1,619	1,193
Balances with banks in foreign countries ²	12	12	9
Cash items in process of collection.....	1,235	1,652	1,117
Other assets ²	801	822	488
TOTAL ASSETS².....	21,745	22,862	20,835
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,456	1,919	1,441
Other demand deposits.....	8,880	9,926	8,851
Time deposits.....	7,079	7,246	7,645
Total deposits.....	17,415	19,091	17,937
Borrowings.....	1,637	1,159	952
Other liabilities ²	961	901	311
Total capital accounts ²	1,732	1,711	1,635
TOTAL LIABILITIES AND CAPITAL ACCOUNTS².....	21,745	22,862	20,835

¹ Because of format revisions as of July 2, 1969, earlier data are not fully comparable.
n.a. — Not available.

² Before July 2, 1969, this item was published on a net basis.
e — Estimated.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 25, 1970	Jan. 28, 1970	Feb. 26, 1969
Total gold certificate reserves.....	278,482	433,102	340,893
Discounts for member banks.....	36,780	35,250	26,140
Other discounts and advances.....	2,240	0	0
U.S. Government securities.....	2,367,247	2,390,301	2,113,276
Total earning assets.....	2,406,267	2,425,551	2,139,416
Member bank reserve deposits.....	1,139,978	1,309,025	1,235,867
Federal Reserve notes in actual circulation.....	1,682,637	1,695,814	1,519,065

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Feb. 4, 1970	5 weeks ended Jan. 7, 1970	5 weeks ended Feb. 5, 1969
RESERVE CITY BANKS			
Total reserves held.....	759,270	749,724	769,728
With Federal Reserve Bank....	704,669	692,994	712,600
Currency and coin.....	54,601	56,730	57,128
Required reserves.....	735,117	764,358	755,492
Excess reserves.....	24,153	—14,634	14,236
Borrowings.....	28,555	6,437	29,292
Free reserves.....	—4,402	—21,071	—15,056
COUNTRY BANKS			
Total reserves held.....	801,841	786,188	775,262
With Federal Reserve Bank....	610,848	599,549	589,814
Currency and coin.....	190,993	186,639	185,448
Required reserves.....	771,212	769,379	747,418
Excess reserves.....	30,629	16,809	27,844
Borrowings.....	14,255	19,585	9,046
Free reserves.....	16,374	—2,776	18,798
ALL MEMBER BANKS			
Total reserves held.....	1,561,111	1,535,912	1,544,990
With Federal Reserve Bank....	1,315,517	1,292,543	1,302,414
Currency and coin.....	245,594	243,369	242,576
Required reserves.....	1,506,329	1,533,737	1,502,910
Excess reserves.....	54,782	2,175	42,080
Borrowings.....	42,810	26,022	38,338
Free reserves.....	11,972	—23,847	3,742

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER	Percent change January 1970 from		
	January 1970	January 1970	December 1969	January 1969
ARIZONA				
Tucson.....	519	\$ 4,673	9	231
LOUISIANA				
Monroe-West Monroe.....	59	3,082	538	206
Shreveport.....	358	5,501	-12	126
TEXAS				
Abilene.....	29	946	491	245
Amarillo.....	535	13,966	562	461
Austin.....	298	8,342	-12	-18
Beaumont.....	109	664	-26	-37
Brownsville.....	46	420	65	-86
Corpus Christi.....	217	1,493	106	1
Dallas.....	1,372	13,332	-9	-52
Denison.....	18	167	120	-63
El Paso.....	344	11,927	226	103
Fort Worth.....	290	7,856	35	-38
Galveston.....	47	609	2	57
Houston.....	2,605	35,907	23	-13
Laredo.....	34	192	-11	-31
Lubbock.....	78	1,031	-42	-37
Midland.....	33	176	56	-61
Odessa.....	45	1,295	329	252
Port Arthur.....	44	234	39	-38
San Angelo.....	43	590	20	41
San Antonio.....	921	5,267	-32	-49
Sherman.....	37	349	30	9
Texarkana.....	25	212	51	83
Waco.....	144	735	7	-39
Wichita Falls.....	52	277	-27	-87
Total—26 cities.....	8,302	\$119,243	31	-8

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1968: January... ..	9,923	4,560	5,363	6,698	2,815	3,883
1969: January... ..	10,752	4,935	5,817	7,627	3,135	4,492
August... ..	10,250	4,746	5,504	7,353	2,741	4,612
September... ..	10,497	4,867	5,630	7,272	2,685	4,587
October... ..	10,306	4,726	5,580	7,223	2,646	4,577
November... ..	10,373	4,750	5,623	7,268	2,690	4,578
December... ..	10,692	4,947	5,745	7,203	2,628	4,575
1970: January... ..	10,793	4,910	5,883	7,108	2,568	4,540

CITRUS FRUIT PRODUCTION

(In thousands of boxes)

State and crop	Indicated 1969	1968	1967
ARIZONA			
Oranges.....	5,100	5,380	3,120
Grapefruit.....	3,100	2,510	3,740
TEXAS			
Oranges.....	4,700	4,500	1,800
Grapefruit.....	7,500	6,700	2,800

SOURCE: U.S. Department of Agriculture.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	1969	1968	Percent change
Arizona.....	\$ 643,852	\$ 587,187	10
Louisiana.....	601,990	628,743	—4
New Mexico.....	345,319	322,353	7
Oklahoma.....	908,283	845,983	7
Texas.....	2,808,053	2,669,031	5
Total.....	\$ 5,307,497	\$ 5,053,297	5
United States.....	\$47,431,047	\$44,385,735	7

SOURCE: U.S. Department of Agriculture.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states ¹		United States	
	1970	1969	1970	1969	1970	1969
Cattle.....	12,212	11,630	21,590	20,563	112,330	109,885
Milk cattle..	576	561	1,253	1,258	21,195	21,616
Beef cattle..	11,636	11,069	20,337	19,305	91,135	88,269
Sheep.....	3,860	4,029	5,364	5,531	20,422	21,238
Stock sheep..	3,560	3,787	4,903	5,149	17,578	18,332
Feeders....	300	242	461	382	2,844	2,906
Hogs ²	959	1,020	1,676	1,738	56,743	60,632
Chickens ³	17,096	17,445	28,189	28,235	431,533	419,635
Turkeys.....	997	973	1,049	1,007	6,674	6,604

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

² Data are for December of preceding year.

³ Does not include commercial broilers.

⁴ Excludes Arizona and New Mexico, which were combined with Florida, Idaho, Montana, and Wyoming to avoid disclosure of individual state operations.

SOURCE: U.S. Department of Agriculture.